

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 97-596

January 8, 2001

PUBLIC UTILITIES COMMISSION
Investigation of Stranded Cost Recovery,
Transmission and Distribution Utility
Revenue Requirements, and Rate Design of
Bangor Hydro-Electric Company (Phase II)

ORDER APPROVING
STIPULATION
(RESTRUCTURING COSTS
REPLACEMENT POWER)

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order we approve a Stipulation entered into between Bangor Hydro-Electric Company (Bangor Hydro, BHE or Company) and the Office of the Public Advocate (OPA) which resolves two compliance issues which arose out of our Phase II Order dated February 29, 2000 in this matter. Specifically, we approve the actual amount allowed for recovery for electric utility restructuring expenses and for interim replacement power costs during the period of December 1, 1999 through February 29, 2000. The actual amounts allowed for these categories exceed the amounts estimated and included in rates by way of our February 29, 2000 Order. We, therefore, establish a regulatory liability of \$453,077, reflecting this difference, which shall be used to offset stranded costs at the next stranded cost ratemaking proceeding.

II. BACKGROUND

On September 8, 1999, the Commission issued an Accounting Order in this case which approved in part, and denied in part, Bangor Hydro's Request for an Accounting Order Regarding Electric Industry Restructuring Costs. In that Order, the Commission held that it would:

require the Company to document and submit to the Commission for review its actual deferred restructuring costs. The Company should at that time be prepared to fully support all time and cost allocations made in calculating the costs sought for recovery. Any expended amounts that significantly exceed the estimates provided by the Company in support of its request must be fully explained and supported. To the extent that costs requested for recovery are not adequately supported, the Company runs the risk of disallowance.

On February 29, 2000, the Commission issued its Order in Phase II in this case. That Order approved a Revised Stipulation which set rates for BHE effective March 1,

2000. The Revised Stipulation allowed the Company to include in its rates \$1.56 million for deferred restructuring costs. The difference between the amount allowed in rates and the actual amounts allowed pursuant to the Accounting Order would be subject to deferral and for later recovery or reduction in rates.

In addition, as part of the Revised Stipulation, the amount of available value to offset stranded costs from the Company's generation asset sale was based, in part, on an estimate of the costs to supply power between the time of the sale and the onset of retail access. This calculation would be trued up based on actual costs with the appropriate correction being made to the available value account.

III. RESOLUTION OF COMPLIANCE ISSUES

On July 19, 2000, the Hearing Examiner in this matter issued a Procedural Order requiring that the Company submit a compliance filing, setting forth the actual costs for approved restructuring expense items and interim replacement power costs by August 4, 2000. The Company submitted its compliance filing on August 4, 2000 as required.

In its filing, BHE calculated its actual restructuring costs allowed by the Accounting Order to be \$594,995 less than the costs estimated in the Commission's Phase II Order in this matter. The Company also stated in this filing that its interim replacement power costs from December 1, 1999 through February 29, 2000 were \$361,456 more than estimated in the Phase II Order.

On August 10, 2000, a case conference was held. Following this initial case conference, a series of informal technical, settlement conferences attended by the Company, the OPA and members of our Advisory Staff were held. On November 27, 2000, the Commission received a Stipulation entered into between the Company and the OPA which resolved all issues in this matter.¹ Under the terms of the Stipulation, the amount allowed for restructuring costs was decreased by an additional \$35,777 so that the total amount to be recovered for restructuring costs decreased by \$630,772 from the estimated amount. In addition, the amount for interim replacement power costs was decreased by \$183,761 from the amount filed by the Company on August 4, 2000 so that the replacement power costs was \$177,695 greater than the level estimated in the Commission's Phase II Order. As set forth in the Stipulation, the total difference between actual restructuring and replacement power cost and those estimated in Docket No. 97-596 equals \$453,077, which is to be treated as a regulatory liability with carrying costs computed using the Company's weighted average cost of capital established in this proceeding.

¹On December 5, 2000, the Commission received a letter from BHE's counsel which corrected two non-substantive, typographical errors contained in the Stipulation. As requested, these corrections have been reflected in the original Stipulation on file with the Commission.

IV. DECISION

The Stipulation was submitted by the OPA and the Company, the only two active parties in this phase of this proceeding. The Stipulation was based on information exchanged at a series of technical conferences, presided over by our Advisory Staff, where all parties were provided with an opportunity to participate. The Stipulation reduces the request for allowed costs to be recovered from ratepayers by the Company by \$219,538 and will, on an overall basis, reduce stranded costs by \$453,077. Based on our review of the record in this case, we believe this result is reasonable, is consistent with our legislative mandates and is in the public interest. Therefore, we are satisfied that our criteria for approving a Stipulation, *see Central Maine Power Company, Request for Approval of Alternative Rate Plan (Post-Merger) "ARP 2000,"* Docket No. 99-666, Order Approving Stipulation at 11 (Nov. 16, 2000), have been satisfied in this instance.

Accordingly, it is

O R D E R E D

1. That the Stipulation submitted in this matter on November 27, 2000 (a copy of which is attached hereto) is approved.
2. That a regulatory liability in the amount of \$453,077 shall be established on the Company's books.
3. That this regulatory liability shall accrue carrying costs at the Company's weighted cost of capital effective March 1, 2000 and shall be considered in setting rates during the Company's next rate proceeding.

Dated at Augusta, Maine, this 8th day of January, 2001.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.